

COPY

KINGSBURY UTILITY CORPORATION

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FILED

AUG 09 2007

**INDIANA UTILITY
REGULATORY COMMISSION**

Brenda Howe
Indiana Utility Regulatory Commission
302 W. Washington Street, Suite E306
Indianapolis, IN 46204

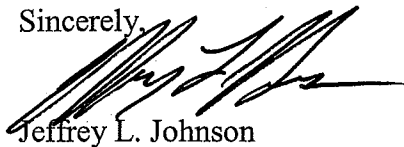
Dear Ms. Howe

Enclosed please find revised schedules for Cause #43296-U, Kingsbury Utility Small Private Rural Sewer Rate Case. The reason for the revised schedules is based on the Utility's loss of a significant customer between the submission date of the Utility's rate study and the field review by the OUCC. The Utility contacted your office for the appropriate procedures regarding this subsequent event and these revised schedules follow the advice the Utility received.

National Liquid Packaging was an active customer of the Utility through November, 2006 when the company laid off a significant number of employees and went into protective bankruptcy. From December 2006 through April 2007, National Liquid Packaging's water and sewer billings were the minimum bill allow by the Utility's tariff. During this time frame, all remaining employees were laid off. In April 2007, services to National Liquid Packaging were ceased at their request. The Utility will not have any further billings to this customer. Adjustment #9 outlines the loss of revenue that National Liquid Packaging represented to the Utility in 2006. The revised schedules, also included, are based on the original Utility rate study, adjusted for this loss of revenue. In summary, the effect of the loss of revenue raises the requested rate increase from 98.59% to 120.19%.

Thank you for your attention to this subsequent submission. Three copies of the revised schedules have been provided at your request.

Sincerely,



Jeffrey L. Johnson
President, Kingsbury Utility Corporation

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
DETAIL OF TYPICAL ADJUSTMENTS

(9) - ADJUSTMENT FOR LOST CUSTOMER

Kingsbury Utility is a small utility and each customer is important, but like every other business, some customers are more important than others. In November of 2006 a customer, National Liquid Packaging, went into protective bankruptcy and place the plant on temporary shut down. The monthly billings to customer went to the tariff minimum. In early May, the customer permanently closed its doors, completely eliminating any hopes of returning to the old revenue. The Utility, in effect, has lost 100% of this customers revenue from the Utility's base year revenue. The following schedule outlines the composition of the customers revenue to the Utility during 2006 by account identification of the six meters.

<u>Meter ID</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
NAPR1	3,310.40	4,157.78	7,468.18
NAPR2	454.64	409.68	864.32
NAPR2-L	67.47	63.81	131.28
NAPR3	5,309.54	6,667.02	11,976.56
NAPR4	4,487.69	5,768.48	10,256.17
NAPR5	255.56	222.80	478.36
SUBTOTAL	13,885.30	17,289.57	31,174.87
FIRE PROTECTION	2,250.00	-	2,250.00
"LOST" REVENUE	16,135.30	17,289.57	33,424.87

NEW INFORMATION - SUBSEQUENT EVENT.

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
PROFORMA OPERATING INCOME STATEMENT

CAUSE # 43296-U
REVISED

Line No.		Test Year Col. A	Adjustments Col. B	Adjusted Present Rates Col. C	Adjustments Col. D	Proforma Proposed Rates Col. E
<u>OPERATING REVENUES</u>						
1	Sewer revenues - Increase for Unbilled (3) and decrease for lost customer (9)	\$ 152,817	\$ (674)	\$ 152,817	\$ 183,675	\$ 336,492
2	Other operating revenues	\$ 748	-	748	-	748
3	Total Operating Revenues	<u>\$ 153,565</u>	<u>\$ (674)</u>	<u>\$ 153,565</u>	<u>\$ 183,675</u>	<u>\$ 337,240</u>
<u>OPERATING EXPENSES</u>						
4	Operation and maintenance expenses	\$ 185,740	\$ 33,380	\$ 219,120	\$ -	\$ 219,120
5	Executive Compensation	-	4,917	4,917	-	4,917
6	Employee Benefits	-	3,000	3,000	-	3,000
		-	-	-	-	-
7	Depreciation expense - Add'l Assets	8,896	6,416	15,312	-	15,312
8	Amortization expense	-	1,000	1,000	-	1,000
9	Taxes other than income taxes	12,521	-	12,521	184	12,705
10	Income Taxes	-	-	-	20,930	20,930
11	Total Operating Expenses	<u>\$ 207,157</u>	<u>\$ 48,713</u>	<u>\$ 255,870</u>	<u>\$ 21,114</u>	<u>\$ 276,984</u>
12	Net Operating Income (Loss)	<u>\$ (53,592)</u>	<u>\$ (49,387)</u>	<u>\$ (102,305)</u>	<u>\$ 162,561</u>	<u>\$ 60,256</u>

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
DETAIL OF TYPICAL ADJUSTMENTS

CASE # 43296-U
REVISED

- (4) This rate study proposes the implementation of a fringe benefit package for the various employees of the utility. Health insurance would be provided to Don Rogowski and a retirement plan would be offered to Don Rogowski, Jerry Jackson and Jeff Johnson. The estimated cost of these benefits to the utility is as follows:

	Total	Water	Sewer
Health insurance - Don Rogowski	\$ 200	\$ 100	\$ 100
Retirement plan (max 3% of compensation)	\$ 300	\$ 150	\$ 150
Total monthly costs	\$ 500 12	\$ 250 12	\$ 250 12
Annualized cost	\$ 6,000	\$ 3,000	\$ 3,000

- (5) TO ADJUST OPERATING REVENUES TO REFLECT THE PROPOSED RATE INCREASE.

Pro-forma sewer revenues at present rates	\$ 152,817
Times: Percent of proposed rate increase	<u>120.19%</u>
Adjustment	<u>\$ 183,675</u>

CAUSE # 43296-U

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
DETAIL OF TYPICAL ADJUSTMENTS

REVISED

(6) TO ADJUST OPERATING EXPENSES TO REFLECT THE PROPOSED RATE INCREASE.

IURC FEE

Proposed increase in revenues	\$ 183,675
Times: IURC Rate	<u>0.001</u>
Increase in IURC Fee	<u>\$ 184</u>

GROSS RECEIPTS TAX

Proposed increase in revenues	\$ 183,675
Times rate	<u>1.20%</u>
Increase in Gross Tax	\$ 2,204

STATE SUPPLEMENTAL INCOME TAX

Proposed increase in revenues	\$ 183,675
Less: IURC Fee increase	(184)
Other Additional Expenses	-
Gross Tax increase	<u>(2,204)</u>
Subtotal	\$ 181,287
Times rate (8.5% X 37.0634%)	<u>3.15%</u>
Increase in State Tax	\$ 5,711

FEDERAL INCOME TAX

Proposed increase in revenues	\$ 183,675
Less: IURC Fee increase	(184)
Other Additional Expenses	-
Gross Tax increase	(2,204)
State Tax increase	<u>(5,711)</u>
Subtotal	\$ 175,576
Times rate (20% X 37.0634%)	<u>7.41%</u>
Increase in Federal Tax	<u>\$ 13,015</u>

Adjustment \$ 20,930

CAUSE # 43296-U

REVISED

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
CALCULATION OF RATE INCREASE

INCREASE IN OPERATING REVENUES REQUIRED

Fair Value Rate Base	\$ 547,707
Times: Fair Value Rate of Return	<u>11.00%</u>
Proposed Utility Net Operating Income	\$ 60,248
Less: Pro-forma Net Operating Income at Present Rates	<u>\$ (102,305)</u>
Increase in Net Operating Income Required	\$ 162,553
Times: Revenue Conversion Factor	<u>1.129940</u>
Increase in Operating Revenues Required	<u><u>\$ 183,675</u></u>

PERCENT INCREASE IN REVENUES

Proposed Increase in Operating Revenues	\$ 183,675
Divided by: Operating Revenues at Present Rates	<u>\$ 152,817</u>
Percent Increase in Operating Revenues	<u><u>120.19%</u></u>

PERCENT INCREASE IN RATES

Proposed Increase in Operating Revenues	\$ 183,675
Divided by: Sewer Revenues at Present Rates	<u>\$ 152,817</u>
Percent Increase in Rates	<u><u>120.19%</u></u>

CAUSE # 43296-U
REVISED

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
REVENUE CONVERSION FACTOR

Line
No.

1.	Gross revenue change	100.0000%
2.	Less: Gross income tax	-1.2000%
3.	IURC Fee	-0.1000%
4.	Uncollectible accounts rate	<u>-0.0050%</u>
5.	Subtotal	98.6950%
	Less: State Income Taxes	
6.	(8.5% of Line 5 X 37.0634%)	<u>-3.1093%</u>
7.	Subtotal	95.5857%
8.	Federal Income Taxes	
	(20% of Line 7 X 37.0634%)	<u>-7.0855%</u>
9.	Total	<u>88.5002%</u>
10.	Revenue Conversion Factor	
	(1 divided by Line 9)	<u>1.129940</u>

COMPUTATION OF STATE & FEDERAL INCOME TAX RATES:

Pro-Forma loss under old rates	\$ 102,305
Divided by total proposed increase in Net Income	<u>162,553</u>
Percentage of proposed increase not taxed	<u>62.9366%</u>
percentage of proposed increase that will be taxed	<u>37.0634%</u>

CAUSE # 43296-U
REVISED

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
RATE OF RETURN ON ORIGINAL COST

Line No.		Pro-forma Present Rates	Pro-forma Proposed Rates
<u>ORIGINAL COST RATE BASE</u>			
1.	Utility plant in service	\$ 897,131	\$ 897,131
2.	Less: Accumulated depreciation	(460,867)	(460,867)
3.	Net utility plant in service	\$ 436,264	\$ 436,264
4.	Add: Current year additions to Utility plant in service		89,270
5.	Working capital (1)	22,173	22,173
6.	Less: Contributions in aid of construction	-	-
7.	Original Cost Rate Base	<u>\$ 458,437</u>	<u>\$ 547,707</u>

	Pro-forma Present Rates	Pro-forma Proposed Rates
<u>RATE OF RETURN ON ORIGINAL COST</u>		
8.	Net operating income	\$ (102,305) \$ 60,256
9.	Divided by: Original cost rate base	<u>458,437</u> <u>547,707</u>
10.	Rate of Return on Original Cost	<u>-22.32%</u> <u>11.00%</u>

	Pro-forma Present Rates	Pro-forma Proposed Rates
<u>(1) WORKING CAPITAL-45 DAY METHOD</u>		
11.	Total O&M Expenses	\$ 227,037 \$ 227,037
12.	Less: Purchased power & water	(46,553) (46,553)
13.	Sewage treatment expense	(3,103) (3,103)
14.	Subtotal	<u>\$ 177,381</u> <u>\$ 177,381</u>
15.	Divide by: 8	<u>8</u> <u>8</u>
16.	Gross Working Capital	<u>\$ 22,173</u> <u>\$ 22,173</u>

CAUSE #43296-1

REVISED

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
RETURN ON EQUITY-ORIGINAL COST
AT PRESENT RATES

Line

No. WEIGHTED COST OF CAPITAL

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	<u>Weighted Ave. Cost</u>
1.	Long-term debt	\$ -	0.00%	0.00%	0.00%
2.	Common equity	139,849	100.00%	-22.32%	-22.32%
3.	Preferred equity	-	0.00%	0.00%	0.00%
4.	Post-1970 ITC	-	0.00%	0.00%	0.00%
5.	Pre-1971 ITC	-	0.00%	0.00%	0.00%
6.	Deferred taxes	-	0.00%	0.00%	0.00%
7.	Customer deposits	-	0.00%	0.00%	0.00%
8.	Customer advances for construction	-	0.00%	0.00%	0.00%
9.	Totals	<u>\$ 139,849</u>	<u>100.00%</u>		<u>-22.32%</u>

KINGSBURY UTILITY CORPORATION
KINGSBURY, INDIANA
SCHEDULE OF PRESENT AND PROPOSED RATES

CAUSE # 43296-U
REVISED

	Present Rates (1) Col. A	Tracker Col. B	Adjusted Present Rates Col. C	Proposed Rates Col. D	Increase	
					Amount Col. E	Percent Col. F
MEASURED RATES PER MONTH						
First 5,000 gallons	\$ 3.30	\$ -	\$ 3.30	\$ 7.27	\$ 3.97	120.19%
Next 10,000 gallons (5,001 to 15,000)	\$ 2.91	\$ -	\$ 2.91	\$ 6.41	\$ 3.50	120.19%
Next 35,000 gallons (15,001 to 50,000)	\$ 2.65	\$ -	\$ 2.65	\$ 5.84	\$ 3.19	120.19%
Next 50,000 gallons (50,001 to 100,000)	\$ 2.25	\$ -	\$ 2.25	\$ 4.95	\$ 2.70	120.19%
Next 100,00 gallons (100,001 to 200,000)	\$ 1.99	\$ -	\$ 1.99	\$ 4.38	\$ 2.39	120.19%
All amounts over 200,000	\$ 1.58	\$ -	\$ 1.58	\$ 3.48	\$ 1.90	120.19%
MINIMUM RATES PER MONTH						
5/8 inch diameter	\$ 16.26	\$ -	\$ 16.26	\$ 35.80	\$ 19.54	120.19%
3/4 inch diameter	\$ 21.27	\$ -	\$ 21.27	\$ 46.83	\$ 25.56	120.19%
1 inch diameter	\$ 39.11	\$ -	\$ 39.11	\$ 86.12	\$ 47.01	120.19%
1-1/4 inch diameter	\$ 49.02	\$ -	\$ 49.02	\$ 107.94	\$ 58.92	120.19%
1-1/2 inch diameter	\$ 51.65	\$ -	\$ 51.65	\$ 113.73	\$ 62.08	120.19%
2 inch diameter	\$ 114.27	\$ -	\$ 114.27	\$ 251.61	\$ 137.34	120.19%
3 inch diameter	\$ 212.18	\$ -	\$ 212.18	\$ 467.20	\$ 255.02	120.19%
4 inch diameter	\$ 408.11	\$ -	\$ 408.11	\$ 898.62	\$ 490.51	120.19%
6 inch diameter	\$ 816.21	\$ -	\$ 816.21	\$ 1,797.21	\$ 981.00	120.19%
8 inch diameter	\$ 1,305.97	\$ -	\$ 1,305.97	\$ 2,875.62	\$ 1,569.65	120.19%
FLAT RATE PER MONTH						
Per each residential unit	\$ 16.26	\$ -	\$ 16.26	\$ 35.80	\$ 19.54	120.19%

(1) Approved in Cause No. 42344-U, Order dated April 20, 2006.